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RUEHQT/AMEMBASSY QUITO 0653  
RUEHLP/AMEMBASSY LA PAZ AUG SANTIAGO 0819  
RUEHCV/AMEMBASSY CARACAS 9752  
RUEHBU/AMEMBASSY BUENOS AIRES 2564  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHDC

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DEPT FOR WHA/AND, WHA/EPSC, EB/IFD/OFD  
COMMERCE FOR 4331/IEP/WH/MCAMERON  
USTR FOR BHARMAN

E.O. 12958: N/A

TAGS: [EMIN](#) [EINV](#) [ENRG](#) [ECON](#) [PGOV](#) [PE](#)

SUBJECT: YANACocha MINE CLOSES, REOPENING AFTER PROTESTS

REF: A) Lima 1361 B) Lima 5874 C) Lima 4471

¶1. Summary: After months of demonstrations and a recent five-day road block, Peru's largest gold mining company Yanacocha (operated by Denver-based Newmont Corporation) closed its operations August, with an estimated loss of \$2 million per day. After Prime Minister Jorge del Castillo personally mediated, protest leaders removed the road block on August 30; the mine should reopen September 4. What began as on community's complaint jobs has evolved into a broader campaign against mining. The closure idled the mine's 2000 permanent staff and 8000 contract workers; a long closure would have seriously curtailed government revenue, as Yanacocha is one of Peru's largest tax contributors. Wide media coverage is making Yanacocha a test case for how the Garcia administration will manage conflict involving extractive industries. End Summary.

¶2. Since August 23, demonstrators in Combayo, a community neighboring Yanacocha's Carachugo mine, blocked the Cajamarca-Bambamarca road, the mine's connection to the region's capital city of Cajamarca. On August 28, the mine's spokesman announced closure of operations until the road was opened. Demonstrators say they are against the Carachugo II project, which would expand mining operations to the eastern side of Yanacocha's mines. They assert that an expansion of the existing leach pad and processing facility will lower water volumes of and contaminate nearby rivers -- their source of drinking and irrigation water -- and that job creation and other benefits will not be felt by local communities.

¶3. An earlier demonstration in July 2006 erupted into violence when police used tear gas to break up the crowd of over 500 demonstrators. One protester died of a gunshot wound; investigators have still not determined who fired the shot. Protests and road blocks have continued ever since. On August 3, one of the 18 communities within Combayo began a protest, complaining that the community was not receiving a fair share of employment and other benefits. Mine officials responded that Yanacocha would not negotiate with individual communities but with designated representatives of the 18 communities as a whole. Mine officials assert that the Combayo community was not against mine expansion, but only wanted a bigger slice of the pie. Protestors from outside the 18 Combayo communities joined the protest, blocking the road and saying that they opposed mine expansion plans.

¶4. Pro-Yanacocha demonstrators, reportedly dismayed at how outsiders took over the demonstration and blocked the roads, also took to the streets. On August 28 and 29, counter-protesters marched against

the road block and held demonstrations in front of Father Arana's NGO office.

¶5. Yanacocha officials confirmed that protestors removed their road blocks at around 10pm on August 30, after protest leaders returned from their meeting in Lima with the Prime Minister. Yanacocha officials and protest leaders are planning to receive on September 3 a visit by the Prime, Mining and Health Ministers to discuss the concerns by the various parties. Yanacocha has begun restarting the mine, which should be fully operational by September 4.

¶6. Yanacocha is majority-owned and operated by Denver-based Newmont Corporation. Newmont's Vice President for Latin America Carlos Santa Cruz announced on August 28 the closure of mining operations until the state intervenes to restore order. Mine officials told Econoff that when the road block began on August 3, the national police immediately cleared the road. After the arrival and intervention of Catholic priest Marco Arana and a Ministry of Mines (MEM) representative, the police pulled back, protecting mine property but not preventing the road blockage. Yanacocha officials stress that dialogue was impossible until the road to the mine was opened.

¶7. Yanacocha is one of the largest taxpayers in Peru (\$90 million, or 26 percent of total canon money in 2005). The company estimated a loss of \$2 million per day from cessation of mine operations; officials said Newmont is pondering reconsideration of future investments and expansion plans (estimated at \$2 billion for new projects in 2007) if the investment climate does not improve.

¶8. Protestors claim that Yanacocha's cyanide use has contaminated water sources, causing fish kills, cattle illness, and the loss of medicinal plants. They also claim that the mine's water use has resulted in the drying up or sedimentation of irrigation channels. Yanacocha cites independent consulting reports that confirm there is no environmental harm. Although independent committees regularly collect water samples, activists are still suspicious of test results. Yanacocha has already spent over \$100 million in environmental improvements and has set up an accredited water monitoring lab, three water treatment plants, and procedures for sediment control, recycling, and waste management. The only operations open during the mine closure were treatment procedures for waters leaving the concession area.

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